

## OVERVIEW

The City of Eugene has centralized many administrative and financial functions in the Central Services Department. We will discuss many of the functions of the Central Services Department together because they provide centralized financial and administrative services to the public and to other City departments. However, we will briefly describe the direct services provided by Central Services, including Animal Control, Municipal Court, and the Prosecutor's Office, separately.

The remainder of this chapter is organized as follows:

- **Understanding the service** describes how the City of Eugene provides central administrative services and direct central services, and describes the issues and analytical concerns associated with delivering the services.
- **Fiscal analysis of Central Services** describes the costs to provide direct and indirect central services.
- **Conclusions** provides a summary of central services.

## UNDERSTANDING THE SERVICE

City governments provide direct services supported by indirect services. Direct services are those services that residents are most familiar with, such as libraries, swimming pools, and fire stations. Indirect services are the functions of City departments that do not have much public interaction: payroll, human resources, and financial management. These indirect services are necessary to the provision of direct services. For example, a city recreation center could not function without human resources.

Central Services has organized the eleven divisions listed above into five primary functions.<sup>1</sup> The **City Manager's Office** provides administrative and research assistance to elected and appointed officials, implements City Council directives, coordinates the City's intergovernmental relations and manages the human rights programs.

**Finance and Court Services** includes financial analysis and reporting, purchasing, accounts payable, accounts receivable, assessments, cashiering and collections, payroll, treasury management, the low-cost spay and neuter clinic, and processing violations of the City Charter and City ordinances, including State traffic laws adopted by ordinance.

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<sup>1</sup> City of Eugene Central Services Department, <http://www.ci.eugene.or.us/ASD/asd.htm>.

**Human Resource and Risk Services** is responsible for managing centralized hiring, benefits, and pay, the City's work policies and labor contracts, the City's diversity efforts, liability and property claims, workers' compensation claims, and emergency preparedness activities.

**Information Services** is responsible for implementing and maintaining the City's telephone and computer networks, including electronic mail, voice mail, voice processing, faxing, internet, and intranet, providing mail services, and managing copy machines.

**Facility Management** builds, operates, and maintains all City owned facilities. The division also manages the design and construction of new public facilities and administers the Citywide energy management program.

## **ISSUES AND ANALYTICAL CONCERNS**

### **INDIRECT SERVICES**

All City departments rely on the indirect services provided by the Central Services Department for general management of the City staff, human resources, budgeting, and policy direction. The Central Services Department calculates indirect central services allocations based on the applicable Central Services costs and departmental administration costs.

Non-General Fund divisions and functions pay the estimated cost of administrative services, so that the General Fund does not bear the costs that should be paid for with these other funds. For example, the Stormwater Fund pays for its share of Central Services so that administrative and financial costs are reflected in the Stormwater budget and charged to users of Stormwater services. The City does not budget its administrative services within General Fund divisions and functions' budgets, because it would only result in a transfer of General Fund money from one division of the budget to another.

Although the City does not charge General Fund divisions and functions for administrative services, throughout our analysis of urban services we have allocated that cost to each urban service so that the total cost of delivering the service is accounted for and presented as accurately as possible. We also include such costs so that all of the services are presented comparably. Because we allocate a portion of Central Services costs to other divisions and functions, we subtract those costs from the Central Services budget for the purposes of our Fiscal Analysis.

### **DIRECT SERVICES**

The Central Services Department includes several direct service divisions:

- Animal Control, including the Spay/Neuter Clinic.
- Facilities Management, which manages General Fund City-owned buildings and facilities, including City Hall parking and the park blocks.

- Municipal Court, which adjudicates violations of Eugene’s municipal laws and traffic violations occurring within city limits.
- The Prosecutor’s Office, which is responsible for the prosecution of all crimes in Eugene’s Municipal Court.

The direct services provided by the Central Services Department are funded by the General Fund. The General Fund receives the majority of its funding from property taxes, which are not dedicated to specific purposes and can be used for general City services. However, these direct services, especially the Municipal Court, contribute monies to the General Fund. In fact, the Municipal Court contributes to the General Fund about 84% of the amount of General Fund monies it expends. Therefore, to properly describe the cost of the direct service to the City’s General Fund, we subtract the direct services revenues contributed to the General Fund.

## FISCAL ANALYSIS OF CENTRAL SERVICES

Central Service’s operating and maintenance budget for Fiscal Year 2003-2004 is \$51.3 million and includes \$18.2 million for personnel, \$32.9 million for services and materials, and \$226,000 for capital outlay.<sup>2</sup> The City of Eugene accounts for Central Services in nine funds, summarized in Table 4-1. The General Fund accounts for 41% of the total budget.

**Table 4-1. Funds for operating and maintenance budget, FY 2003-2004.**

<b>Fund</b>	<b>Dollars</b>	<b>Percent of O&amp;M Budget</b>
General Fund	\$20,866,861	40.7%
Special Assessment Management Fund	225,749	0.4%
Community Development Fund	6,000	0.0%
General Capital Projects Fund	2,500	0.0%
Parking Fund	423,139	0.8%
Facilities/Fleet Services Fund	5,892,598	11.5%
Information Systems and Services Fund	5,590,268	10.9%
Risk Management Fund	17,116,526	33.4%
Professional Services Fund	1,174,458	2.3%
<b>Total</b>	<b>\$51,298,099</b>	<b>100.0%</b>

Source: City of Eugene Annual Budget – Fiscal Year 2004.

The Central Services Department has many different cost categories, which can be organized into:

- Direct service costs,
- Indirect service allocations to non-General Fund departments, and

<sup>2</sup> Capital outlay is considered part of the O&M budget, and includes the purchase of items that cost less than \$5,000.

- Indirect service allocations to General Fund departments.<sup>3</sup>

We first discuss the direct service costs, then the indirect service allocations for non-General Fund and General Fund departments.<sup>4</sup>

## DIRECT SERVICE COSTS

General Fund direct service costs in the Central Services Fiscal Year 2003-2004 budget total \$4.6 million. The direct services operations and maintenance (O&M) budget has two cost categories within the General Fund:

- O&M includes expenditures for personnel, supplies, equipment and fleet and facilities maintenance.
- Central administrative services are the City's central business functions, such as human resources.

Table 4-2 shows the General Fund budgeted amounts for expenditures for personnel, supplies, equipment and fleet and facilities maintenance for all direct services in the Central Services Department.

**Table 4-2. Direct Central Services General Fund costs, FY 2003-2004**

Direct Services	Budget Amount
Animal Control	\$804,011
City Prosecutor's Office	579,710
Facility Management	439,961
Municipal Court	2,819,940
Total	\$4,643,622

Source: City of Eugene Annual Budget – Fiscal Year 2004.

Central administrative services are not included in the direct services division budgets. Instead, such indirect services (such as payroll services and central administration) are budgeted in separate divisions within the Central Services budget. To show actual operating and maintenance costs associated with providing direct Central Services, indirect costs for Central Services must be added on to the direct services' General Fund operating and maintenance expenditures. The Central Services cost allocation for the direct services is \$0.3 million.

To calculate the property tax contribution to the provision of services we need to reduce our calculation for total General Fund costs by the amount of revenue that a particular service contributes to the General Fund. We have calculated total General Fund costs for direct Central Services to be \$4.6 million. The direct services divisions

<sup>3</sup> Fleet acquisition costs are for new or replacement vehicles, and are included in the Fleet Fund. Total estimated fleet acquisition costs for Central Services of \$10,000 per year are too small to impact property taxes.

<sup>4</sup> We do not include the \$1.5 million Area Information Records System (AIRS) project, which is the shared main frame database previously used by all central Lane County public safety agencies for records management, or the \$1.1 million in General Fund costs of Telecommunications, because these programs are not supported by property taxes.

contribute \$3.0 million in revenue to the General Fund. Thus, General Fund costs that are not covered by revenue generated by the direct services total \$1.9 million. We calculated the property tax contribution to this amount by determining what percent of nondedicated General Fund revenue these direct services costs account for. We then multiplied that portion by the permanent property tax rate of \$7.0058 to determine the direct services' portion of the permanent rate. Table 4-3 shows the contribution of property taxes by service to the General Fund operating budget for direct Central Services.

**Table 4-3. Property Tax Contribution to direct Central Services Operating and Maintenance Expenditures, FY 2003-2004**

Direct Services	Budget Amount	Calculated Overhead	Revenues to the General Fund	Net General Fund Costs	Calculated Portion Covered by Property Taxes
Animal Control	\$804,011	\$31,000	(\$347,211)	\$487,800	\$0.05
City Prosecutor's Office	579,710	46,000	0	625,710	\$0.06
Facility Management	439,961	19,000	0	458,961	\$0.04
Municipal Court	2,819,940	154,000	(2,603,980)	369,960	\$0.03
<b>Totals</b>	<b>\$4,643,622</b>	<b>\$250,000</b>	<b>(\$2,951,191)</b>	<b>\$1,942,431</b>	<b>\$0.18</b>

Source: City of Eugene Annual Budget – Fiscal Year 2004.

In total, City of Eugene residents are paying property taxes of approximately \$0.18 per \$1,000 in assessed value for Animal Control, Facilities Management, the Municipal Court, and the Prosecutor's Office services for Fiscal Year 2003-2004.<sup>5</sup> For a property with an assessed value of \$115,000 (the approximate average assessed value within River Road/Santa Clara), an estimated \$21 per year of property taxes would pay for these direct services.

## INDIRECT SERVICE ALLOCATIONS

General Fund indirect service costs in the Central Services Fiscal Year 2003-2004 budget total \$13.6 million. Throughout this report, we allocate the cost of indirect services provided by Central Services to the O&M costs of General Fund divisions, local option levy funds, and non-general funds, thus accounting for the total cost of delivering services. The total Central Services allocation is \$13.5 million (\$8.1 million for General Fund departments and divisions and \$5.4 million for non-General Fund departments and divisions), resulting in a \$100,000 in unallocated Central Services costs. The \$100,000 discrepancy, which is equal to 0.56% of the Central Services budget, is due to the use of an estimated rate for allocating the costs.

<sup>5</sup> The City of Eugene realizes a 93% collection rate for property taxes. This means that if the City of Eugene were to levy just for direct central services, it would need to levy at a higher rate than \$0.18 per \$1,000 in assessed value in order to collect \$0.18 per \$1,000 in assessed value. The City would need to actually levy \$0.19.

## OTHER FUNDS

The Central Services Department has many direct and indirect services housed in the General Fund and Non-General Funds. Examples of operations housed in more than one fund include Municipal Court and Information Technology. The cost of operations for the Fleet and Facilities Fund are included as charges in operating budgets contained in other sections of this report and are not discussed here.

## CAPITAL

Capital projects include the acquisition or construction of a fixed asset that has a life expectancy greater than one year and monetary value greater than \$5,000, such as constructing a new building. Capital projects are included in a separate Capital Budget. The City of Eugene 2004-2009 Capital Improvement Program includes \$2.9 million in capital projects for Public Buildings and Facilities for FY03-04. Capital expenditures are paid for from three different funds: the Facilities and Fleet Services Fund, the General and Road Capital Projects Fund, and the Parking Services Fund.<sup>6</sup>

## CONCLUSIONS

City of Eugene residents pay an estimated \$0.18 per \$1,000 in assessed value for direct Central Services. City residents are also paying for additional indirect services from the Central Services Department, which we allocate to the cost for direct services from other departments in further chapters of this report. Residents of the City of Eugene pay an estimated \$21 in property taxes for a single-family residence with an assessed value of \$115,000 for direct Central Services.

Annexation would not directly impact central services. Residents would not experience a change in service, because the department's services indirectly support other, more visible, services.

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<sup>6</sup> City of Eugene 2004-2009 Capital Improvement Program, p. 61.